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TAGS: [ETRD](#) [ECON](#) [ELAB](#) [PREL](#) [RU](#) [GM](#)

SUBJECT: GM DECISION NOT TO SELL OPEL GREETED BY SHOCK AND
ANGER IN GERMANY

REF: A. BERLIN 01131
[1](#)B. BERLIN 01093
[1](#)C. BERLIN 00390
[1](#)D. BERLIN 00272
[1](#)E. BERLIN 00214

BERLIN 00001395 001.2 OF 002

Classified By: ECONMIN Robert A. Pollard for reasons 1.4 (b,d).

[1](#)1. (C) Summary: Just hours after Chancellor Merkel's historic November 3 address to a joint session of Congress, General Motors (GM) canceled its sale of Opel to Canadian auto parts manufacturer Magna. The decision, which followed repeated assurances from GM that it was a done deal, came as a complete shock in Germany and dominated media coverage throughout the day. Merkel herself was reportedly highly upset over GM's flip flop. Ulrich Wilhelm, the Chancellor's spokesman on Opel said the German government "regretted" the decision, and reminded GM that it must now repay Berlin's 1.5 billion bridge loan to Opel by the end of the month, while FDP Economics Minister Rainer Bruederle described GM's action as "totally unacceptable." The cabinet was expected to discuss the GM move on November 4. Opel's labor unions, which had strongly backed the Magna sale because of its promise to save jobs and keep plants open, announced that workers would withdraw all concessions made under the terms of the Magna deal and start a general strike at Opel plants on November 5. While anger is widespread, there are already some voices outside the government advocating acceptance of GM's announcement as the only viable alternative to a total collapse of Opel. End Summary.

Germany's Political Establishment Reacts with Anger

[1](#)2. (C) Opinion across the political spectrum has been uniformly negative. FDP Economics Minister Rainer Bruederle blasted GM's behavior as "totally unacceptable." Juergen Ruettggers, Minister President of Nordrhein Westfallen (CDU), asserted that GM's decision showed "the ugly face of turbo capitalism." The leadership of the FDP, whose opposition to government intervention in the Opel deal is well known, joined in the condemnation of GM. A high-level source indicated that Chancellor Merkel is furious over the GM move and refuses to talk to GM's leadership. It is likely to be only a matter of time before critics will call Merkel herself into account for her strong support of the now collapsed Magna deal. The Cabinet has been called into session and is likely to confirm the withdrawal of all

financial support and a demand that GM repay the government's 1.5 billion Euro bridge loan by the end of the month.

¶3. (C) Jochen Homann, the Economic Ministry State Secretary heading the German interagency working group on Opel, told EMIN on November 4 that there was no possibility of further German financial assistance to Opel in the foreseeable future. The failure of the Magna deal and GM's reputation as "an unreliable partner" would likewise complicate negotiations with other governments seeking to preserve Opel jobs and factories. Although no one directly blamed the USG, the Germans are still having trouble understanding how GM could act independently of Washington. Dr. Schubert, one of Homann's lieutenants, complained to the Embassy that "if the U.S. Government had GM under better control, this would not have happened." It is now up to GM, he said, to submit a new restructuring and financing plan, as their previous one is out of date. Schubert was adamant that this time "there will be no special treatment for Opel" and GM's plan would have to go through normal channels.

Matched by Threats from Organized Labor

¶4. (SBU) Klaus Franz, the head of Opel's Works Council, announced on November 4 that Opel's 25,000 employees in Germany will begin an indefinite strike on November 5 to protest the GM decision. Franz called on all 55,000 Opel workers across Europe to join in. Accusing GM of "blackmailing" governments and workers in Europe to sign on to its "unacceptable" restructuring Plan, he also revoked prior labor commitments to contribute 388 million dollars in foregone benefits to the Magna sale.

BERLIN 00001395 002.2 OF 002

¶5. (C) Oliver Burkhardt, head of the Metal Workers in NRW, likewise condemned the decision as "bold and unfriendly," not only to Opel employees, but to the German government. However, Burkhardt conceded that he is waiting to see a long term GM plan for Opel that relies on more than cost-cutting and down-sizing. In contrast to Klaus Franz, Burkhardt contended that non-German labor unions were "elated" over the failure of the Magna deal (which was tilted against workers in other countries) and doubted they would heed Franz's strike call. He also predicted that the strikes in Germany will be short-term and largely symbolic rather than actual closures, adding "we are not going to close the door on a solution with GM." Similarly, Fred Irwin - Citigroup's country manager in Germany and the Chair of the Opel Trust that oversaw the Magna negotiations - predicted that unions will eventually reconcile with GM once they realize there is no other choice.

While Despair Permeates Opel Executives

¶6. (C) Opel managers such as Berlin Representative Uwe Berlinghoff, who almost uniformly favored the Magna contract, were also "taken completely by surprise" by the GM announcement. Berlinghoff now expects GM to resurrect its pre-Magna restructuring plans, including closure of plants at Bochum (and Antwerp, Belgium) and the sale or closure of the Eisenach plant. Berlinghoff also expected the German government to cancel the expected 4.5 billion dollar loan guarantee package, as "GM has demonstrated its lack of credibility with German politicians."

Research and Development and IPR Could be Key

¶7. (C) German auto industry insiders have privately identified compelling reasons why GM cancelled the Magna

deal. Among these are the importance of the GM/Opel Research and Development facility in Ruesselsheim and its patents to GM's development of small efficient cars in Europe, the U.S. and elsewhere. GM was also reportedly skeptical that it could adequately protect crucial IPR from Russian exploitation because of the Sberbank/Gaz partnership with Magna. Moreover, Magna had oversold its ability to penetrate the Russian market. GM's announcement stressed its plans to build on its already significant business in Russia while retaining Opel and to work closely with Gaz without a Magna partnership.

But Auto Leader Welcomes the Move

18. (C) Dr. Norbert Reithofer, the CEO of BMW, told the Ambassador on November 4 that GM's move would be welcomed by the German auto industry. Reithofer was adamant that there was no way BMW and the other German auto manufacturers would have purchased auto parts from Magna once it became a direct competitor as an auto manufacturer. In Reithofer's view, Magna made the Opel purchase proposal in a moment of panic at the height of the economic crisis, but now that a recovery is in the offing, probably is not unhappy to see it dissolve.

Comment

19. (C) Despite the considerable German ire aimed at GM, much of it is aimed at GM's handling of Opel (in particular the timing of the November 3 announcement), rather than its business rationale for retaining its German subsidiary. Thoughtful German opinion leaders, including former Economics Minister zu Guttenberg conservatives in the German business community, were equally critical of Berlin's strong arm lobbying on behalf of Magna. An Opel Trust Board Member and FDP politician Dirk Pfeil has already issued a statement urging Berlin to provide 3 billion Euro in state aid to keep GM afloat. Like it or not, the German governments will need to seek an accommodation with GM to keep Opel alive.

MURPHY